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Report to the United Nations Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions

Summary

The present document reports on the steps taken or to be taken in response to the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1998-1999. It also presents the status of implementation of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1996-1997.

Contents

		Paragraphs	Page
I.	Introduction	1–5	2
II.	Progress report on specific steps taken to implement the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1998-1999	6–34	2
III.	Progress report regarding the status of implementation of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1996-1997	35–37	7
IV.	Recommendations that would require action by the General Assembly	38	8

* E/ICEF/2001/2.

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I. Introduction

1. As an ongoing practice, UNICEF has been submitting a report to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions (ACABQ), to advise the Assembly as to the measures that the organization takes to implement the recommendations of the United Nations Board of Auditors.

2. The present report reviews the implementation by UNICEF of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1998-1999. The report also discusses the status of implementation of the recommendations of the Board of Auditors on the accounts for the biennium 1996-1997.

3. The administration wishes to note that to underline the importance that UNICEF places on audit recommendations from both the United Nations Board of Auditors and its own Office of Internal Audit (OIA), UNICEF has institutionalized the procedures for the review of audit matters through the Audit Committee. The Committee, which is composed of senior staff of the organization, periodically reviews matters of critical concern raised during audits, both external and internal. The Audit Committee, which is chaired by the Executive Director, has instituted an appropriate follow-up mechanism whereby the responsible and accountable officials are asked to provide explanations on matters pertaining to them.

4. As noted by the General Assembly in A/54/159 dated 2 July 1999, the administration has informed the United Nations Board of Auditors that one officer, the Executive Director, is responsible for overseeing the implementation of audit recommendations. This accountability is shared by the senior staff responsible for the specific areas covered in the audit recommendations.

5. The present document is submitted to the Board of Auditors and ACABQ for their evaluation.

II. Progress report on specific steps taken to implement the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1998-1999

6. This chapter describes the steps taken or to be taken by UNICEF in response to the recommendations of the Board of Auditors and ACABQ on its accounts for the biennium 1998-1999.

Recommendation No. 1

7. UNICEF should closely monitor programme implementation levels so that desired implementation benchmarks could be achieved.

Measures taken by UNICEF

8. UNICEF takes a number of steps to ensure the close monitoring of programme implementation levels:

(a) At the field level, country offices pay particular attention to programme expenditure rates, achievement of the programme objectives, and the impact that programmes are having on the lives of women and children during their annual and mid-term reviews. Further, with the use of management tools provided by the Programme Manager System (ProMS), country offices are able to monitor their expenditure performance and take corrective actions if necessary;

(b) At the headquarters' level, Programme Division analyses the financial implementation of country programmes and provides reports to the Global Management Team on country performance, together with recommendations for improvement twice a year. With continued monitoring of country office performance, the provision of programme guidelines and dissemination of best practices, increased implementation levels are expected.

9. The Deputy Executive Director, Programme and Strategic Planning, is accountable for implementation of the audit recommendation.

Recommendation No. 2

10. UNICEF should revise the mandate of OIA to reflect the annual reporting to the Executive Board.

Measures taken by UNICEF

11. In accordance with the proposal made by UNICEF to the Executive Board at its third regular session of 1997, the secretariat presented an annual report to the Executive Board in 1998. The mandate of OIA will be revised by 31 December 2000 to reflect the annual reporting to the Executive Board. The Executive Director and the Director, OIA, are accountable for implementation of the audit recommendation.

Recommendation No. 3

12. UNICEF OIA should formulate policy guidelines on working paper preparation in compliance with accepted internal auditing standards, and evidence of supervisory review should be shown on working papers to confirm that they have been subject to a proper level of supervisory review.

Measures taken by UNICEF

13. UNICEF OIA has established a working group to develop a policy and management procedures for the preparation and review of audit working papers to meet accepted internal auditing standards. The new policy and procedures will become effective within OIA from 1 January 2001. The Executive Director and the Director, OIA, are accountable for implementation of the audit recommendation.

Recommendation No. 4

14. UNICEF should take expeditious action to extend the database tracking system to all regional offices and headquarters' divisions to enhance the monitoring capacity for internal audit recommendations.

Measures taken by UNICEF

15. UNICEF OIA has established a working group to develop enhancements to the audit database that will allow regional offices and headquarters' divisions access to the audit recommendations and appropriate elements of audit reports. The revised database will be completed and operational within OIA by 31 December 2000. Access to the database will be progressively rolled out to the regional offices and headquarters' divisions in 2001. The Executive Director and the Director, OIA, are accountable for implementation of the audit recommendation.

Recommendation No. 5

16. UNICEF should improve its working capital management in order to attain the accepted liquidity standard.

Measures taken by UNICEF

17. UNICEF continuously assesses its working capital management in light of the Board of Auditors' recommendation. The UNICEF Comptroller is accountable for implementation of the audit recommendation.

Recommendation No. 6

18. UNICEF should disclose separately, convertible balances of general resources and supplementary funds in the "Notes to the financial statements" to facilitate the determination of the UNICEF liquidity position based on its policy.

Measures taken by UNICEF

19. UNICEF will review the issue of separate disclosure of convertible balances of regular resources (general resources) and other resources (supplementary funds and emergency relief/rehabilitation) in the "Notes to the financial statements" when preparing the financial statements for the biennium 2000-2001. The UNICEF Comptroller is accountable for implementation of the audit recommendation.

Recommendation No. 7

20. UNICEF should develop non-financial performance indicators as a basis for assessing its programme performance.

Measures taken by UNICEF

21. Financial implementation rates are only one of many indicators being used to monitor programme performance. Country office management augments expenditure rates with monitoring implementation through field visits to ensure that inputs have been received, that activities have been carried out and that performance indicators are being measured. Additionally, country offices set out annual management plans to define programme objectives, the strategies to reach the objectives, the inputs necessary to carry out the activities that will attain the objectives, and a monitoring system where indicators are measured to ensure that the desired outcome is achieved.

22. The Deputy Executive Director, Programme and Strategic Planning, is accountable for implementation of the audit recommendation.

Recommendation No. 8

23. UNICEF should consider external representation from another United Nations organization on its Internal Audit Committee.

Measures taken by UNICEF

24. The administration is considering the addition of representation from another United Nations organization on its Audit Committee. UNICEF has commissioned a Quality Assurance Review of the audit function that will be conducted in mid-2001 by the Institute of Internal Auditors. The Quality Assurance Review will include consideration of the role and membership of the UNICEF Audit Committee, and the administration will carefully review the observations and recommendations of that review in addressing the subject. The Executive Director is accountable for implementation of the audit recommendation.

Recommendation No. 9

25. UNICEF should establish a roster to guide its selection of consultants in its Supply Division. Also, the Supply Division should fully comply with the established procedures relating to the evaluation of consultants.

Measures taken by UNICEF

26. UNICEF Supply Division has established a roster of qualified and pre-screened candidates to allow for a more efficient selection process of temporary assignments. Additionally, the Division has also established individual files for all consultants. Further, the Division will no longer issue final payments on consultancy contracts unless the evaluation reports are presented with the payment requests. The Director, Supply Division, is accountable for implementation of the recommendation.

Recommendation No. 10

27. UNICEF should ensure that the management of the Americas and the Caribbean Regional Office (TACRO) ensures full compliance with the Administrative Instructions relating to the engagement of consultants.

Measures taken by UNICEF

28. At a meeting of all staff held in December 1999, the Regional Director of TACRO led the review of the audit findings and, in particular, the underlying causes of the delays in the signing of Special Service Agreements (SSAs). To address the audit finding, it was agreed that the office's quarterly monitoring reports will include, as a management performance indicator, the number of SSAs that are signed on time. In 2000, improvement in this area has been noted. TACRO will continue to stress the importance of ensuring compliance with the relevant Administrative Instructions and will include the management indicator regarding the timely signing of SSAs as an input in the staff's performance evaluation reports for the year 2000. The Regional Director, TACRO, is accountable for implementation of the audit recommendation.

Recommendation No. 11

29. UNICEF should ensure that the Integrated Monitoring and Evaluation Plan (IMEP) is implemented in the remaining 23 countries of TACRO to enhance monitoring and evaluation of programmes in the region.

Measures taken by UNICEF

30. In preparation for the next programme cycle, the countries under TACRO will be holding strategy meetings in the last quarter of the year 2000. The regional office, which will be participating in these meetings, will ensure that these countries fully implement IMEP. The Regional Director, TACRO, is accountable for implementation of the audit recommendation.

Recommendation No. 12

31. UNICEF should ensure that the Brasilia field office closely monitor purchase orders for more timely delivery of goods.

Measures taken by UNICEF

32. With the implementation of the ProMS Supply Module in the Brasilia office, monitoring of purchase orders has become more transparent. Project officers are now in a position to check pending supplies, and this information will enable the staff to follow-up on the timely delivery of goods. The Regional Director, TACRO, and the Representative of the Brasilia field office are accountable for implementation of the recommendation.

Recommendation No. 13

33. UNICEF should ensure that the Jakarta field office fully comply with procurement procedures relating to competitive bidding.

Measures taken by UNICEF

34. To ensure competitive bidding, the Jakarta field office invited five and seven suppliers on 25 September 1998 and 3 March 2000, respectively, when the office subsequently needed to procure additional supplies which were the subject of the audit recommendation. Further, the field office is taking the following steps: (a) reviewing the present bidders' list for further categorization of suppliers (i.e., big, small and medium companies); (b) completing the company profiles of existing and new suppliers in the bidders' list; and (c) evaluating the company suppliers. In addition, the field office is now using the "waybill" system to control and monitor the flow of supplies. The Regional Director for the East Asia and Pacific Regional Office and the Representative of the Jakarta field office are accountable for implementation of the audit recommendation.

III. Progress report regarding the status of implementation of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1996-1997

35. After its audit of the accounts for the biennium 1998-1999, the Board of Auditors reviewed the status of implementation of the recommendations included in its report on the audit of the accounts for the biennium 1996-1997. The Board noted implementation of the following recommendations: (a) UNICEF should ensure that all systems are tested for year 2000 compliance with sufficient lead time to address any deficiencies; and (b) UNICEF should ensure the inclusion of a termination clause in future negotiations for office space lease agreements. Further, the Board agreed with the action taken by UNICEF on the following recommendation: UNICEF should recover a total of $1.45 million accounted for by five National Committees.

36. The Board of Auditors positively noted the steps taken by UNICEF to implement the following recommendations:

(a) UNICEF should strengthen the oversight responsibilities on the review of liquidation statements in respect of cash assistance to Governments to ensure that they are properly supported with complete details;

(b) UNICEF should expand and intensify its fund-raising activities, particularly in the area of general resources, and also strengthen the monitoring and control of expenditures;

(c) UNICEF should strengthen its efforts to obtain formal receipts from Governments as evidence that supplies and equipment have been received;

(d) The administration should ensure that recruitment of consultants fully complies with established rules and procedures;

(e) In order to improve its financial performance, UNICEF Greeting Card and related Operations (GCO) should develop new marketing, advocacy and sales promotional strategies in order to increase the volume of its product sales and also increase its fund-raising;

(f) The administration should establish a more frequent interval for the transfer of sales proceeds to UNICEF by the National Committees to improve the recovery rates of sales proceeds;

(g) The administration should ensure that all National Committees for UNICEF comply with the cash accounting reporting requirements;

(h) UNICEF should review the formats of the monitoring and evaluation reports that are submitted to the Executive Board for uniformity in presentation and to ensure that the required information is provided;

(i) UNICEF should ensure that established procedures relating to the evaluation of the performance of consultants are complied with fully;

(j) UNICEF should ensure that National Committees and field offices operate within the established limits. In addition, UNICEF, in concert with the sales partners, should evolve new marketing strategies in order to boost the sales volume of the sales partners for desired profit targets to be achieved;

(k) UNICEF should monitor the activities of the sales partners to ensure strict compliance with established promotion activities.

17. The Board of Auditors did not require any further action on the above recommen.'ations. However, the Board indicated that it would continue to monitor and review the areas covered in future audits.

IV. Recommendations that would require action by the General Assembly

38. The administration does not see any recommendation of the Board of Auditors that would require action by the General Assembly.